REPORT OF EXAMINATION

North Coast Life Insurance Company
As of December 31, 1995

I certify that I have reviewed the Report of the Financial Examination of NORTH COAST LIFE INSURANCE COMPANY of Spokane, Washington as of December 31, 1995.

Jacqueline L. Gardner, CFE, FLMI

Date

North Coast Life Insurance Company

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January 31, 1997

Honorable Glenn Pomeroy
NAIC Chairperson
Financial Condition (EX4)
North Dakota Department of Insurance
600 E. Boulevard
Bismarck, North Dakota 58505-0320

Honorable Deborah Senn, Commissioner
Washington Department of Insurance
Insurance Building
PO Box 40255
Olympia, Washington 98504-0255

Honorable Marianne K. Burke, Secretary
Alaska Department of Insurance
Western Zone Secretary
Dept. of Commerce & Economic Dev.
PO Box 110805
Juneau, AK 99811-0805

Dear Commissioners:

Pursuant to your instructions and in compliance with the requirements of the state of Washington, an Association examination has been made of the corporate affairs and financial records of:

North Coast Life Insurance Company
of
Spokane, Washington

hereafter referred to as the Company at its home office located at 1116 West Riverside Avenue, Spokane, Washington 99201. The following report is respectfully submitted.

SCOPE OF EXAMINATION

The previous examination was made as of December 31, 1989 and subsequent target examination as of June 30, 1992 by the state of Washington. The present examination was conducted by examiners of the state of Washington and covered the period from July 1, 1992 through December 31, 1995.

The examination was performed in accordance with procedures promulgated by the National Association of Insurance Commissioners (NAIC) and in compliance with the provisions of Washington State insurance laws and regulations.

North Coast Life Insurance Company

INSTRUCTIONS

1. Annual Statement

The examiners reviewed the Company's filed 1995 annual statement as part of the statutory examination. This review focused on determining if the Company's Annual Statement was completed in accordance with the annual statement instructions published by the National Association of Insurance Commissioners. The following summarizes the exceptions noted while performing this review and the Company is instructed to correct and comply in future annual statement filings per RCW 48.05.250.

a. The scope paragraph in the actuarial opinion does not list those items and amounts with respect to which the actuary is expressing an opinion; however; it references an attached schedule. A review of this schedule showed it did not address "Net deferred and uncollected premiums," and "Cost of Collection in excess of loading." These two areas are specifically addressed in the annual statement instructions, and require an actuarial opinion.

b. The opinion paragraph in the actuarial opinion does not include a statement addressing unmatured obligations of the Company guaranteed under the terms of its policies as required by the annual statement instructions.

c. The NAIC requires insurers to report the cumulative effect of changes in accounting principles or practices as an aggregate write-in for gains and losses in surplus in the Summary of Operations. In 1995, the Company changed its accounting method for a majority-owned real estate partnership from the cost basis to the equity method. The net effect of this change resulted in a $50,000 charge to surplus, which was not properly reported in the Summary of Operations.

d. The Company failed to complete Schedule Y, Part 2, Summary of Insurer's Transactions With Any Affiliates as required by the NAIC. The Company has numerous arrangements with affiliates that require disclosure and properly executed agreements. (See Intercompany Agreements)

2. Annual Statement disclosure

The Company incorrectly reported a change in accounting estimate and the correction of an error in its filed annual statements. The following gives a brief description of the disclosure issues:

a. Change in accounting estimate

Prior to 1994, the Company amortized discounts on purchased mortgage loans over the remaining contractual term of the loan. As of January 1994, the Company reduced its amortization of discounts on purchased mortgage loans to eight years based on a reevaluation of the portfolio. The cumulative effect of this change was approximately $137,000. The Company reported this change as an increase to investment income in 1994. According to Generally Accepted Accounting Principles (GAAP), this should be identified separately in the Summary of Operations as a one time change in accounting estimate.

b. Correction of error

Prior to 1995, the Company did not recognize depreciation expense on real estate owned. In 1995, the Company realized this oversight and recorded past and present depreciation expense on its 1995 annual statement. Proper disclosure of this correction of error requires retroactive restatement of previous financial statements and a corresponding correction in the 1995 statement for previous years. The required adjustment amounted to $1,834 and $19,957 for the years ended 1993 and 1994, respectively. Due to the immateriality, no adjustment is proposed in this examination.

The Company is instructed to properly report all changes and corrections in their financial statements in accordance with statutory and /or GAAP guidelines in all future filings.

3. Bonds

A review of the Company's bond portfolio disclosed that bonds are not amortized to the call dates as required by RCW 48.12.170. No adjustment was recommended due to the immaterial amount of the difference in the amortized value calculated using call dates. If the Company portfolio changes with more callable bonds, this would become material. The Company is instructed to revise their method of amortization to use the shorter of the call date or maturity date pursuant to RCW 48.12.170.

In addition, the custodial agreements with Piper Jaffray, Bear Stearns and U.S. Bank for bonds and preferred stock do not include the provisions for indemnifying the Company for lost securities as required by NAIC guidelines. The Company is instructed to revise its custodial agreements to comply with NAIC guidelines, RCW 48.05.250, and WAC 284-07-050.

4. Intercompany agreements

The Company handles all accounting and operational functions for all three of its affiliates, R.J. Martin (RJM), W. 1116 Riverside Partners, and W. 1124 Riverside Partners. No agreement exists nor does the Company receive reimbursement for these functions. The Company is instructed to draft an agreement which accounts for all services rendered between the affiliates and the reimbursement method for those services. In addition, the Company is instructed to file the agreement sixty days prior to implementation according to RCW 48.31B.030(1)(b)(iv).

5. Mortgage Loans

RCW 48.13.340 requires all investments to be approved by the Board of Directors with the exception of policy loans. The Company did not submit proposed mortgage loan acquisitions to the Board of Directors prior to 1996 for authorization and approval as required. The Board of Directors approved the 1996 acquisitions of mortgage loans during the December 20, 1996 board meeting. The Company is instructed to obtain board approval for all future acquisitions in accordance with RCW 48.13.340.

6. Mortgage loan servicing agreement

The Company has a mortgage loan servicing agreement with its affiliate R.J. Martin. Under the agreement, the Company pays 1.25% of the outstanding principal amounts annually. RCW 48.31B.030(1)(a)(i) and (ii) states,

> "(1)(a)Transactions within a holding company system to which an insurer subject to registration is a party are subject to the following standards:
>
> (i)The terms must be fair and reasonable;
> (ii) Charges or fees for services performed must be fair and reasonable."

According to the Company, the actual servicing fee is only .75%, however, it is combined with acquisition and underwriting costs of .5% which comprises the 1.25% stated in the agreement. The Company is instructed to separate the servicing fee from acquisition and underwriting fees and to capitalize all of the acquisition and underwriting fees at the time of purchase. In addition, the Company shall review the agreement to determine that the charges or fees for services performed are fair and reasonable.

7. Pecuniary interest of officer

RCW 48. 07.130(1) states, ". . . no officer or director of an insurer shall accept, except for the insurer, or be the beneficiary of any fee, brokerage, gift, commission, or other emolument because of any sale of insurance. . . ." The Company's Senior Vice President, Richard D. Hillier, receives commissions from the sale of life insurance. The Company is instructed to cease all commission payments to officers of the Company and to seek a special consent order under RCW 48.07.130(3)

before resumption of any commission payments.
(NOTE: On March 28, 1997, the Company was granted an exception in accordance with RCW 48.07.130(3) by the Washington Insurance Commissioner. Additionally, the Company ceased the payment of commissions to Mr. Hillier.)

8. Policy and Contract Claims

RCW 48.23.300 states, an insurer shall pay interest on death claims payable from the date of death to the settlement date on Washington State residents. Such interest shall accrue commencing on the date of death at the rate then paid by insurer on other withdrawable proceeds left with the Company, but not less than 8 percent. In addition, benefits payable that have not been tendered ninety days after receipt of proof of death shall accrue an additional 3 percent commencing on the ninety first day.

The Company has accrued interest at rates between 7% and 7.4%. Recalculation was performed and the deficiency was found to be immaterial. Although no adjustment is recommended, the Company is instructed to comply with RCW 48.23.300 in all future death benefit settlements.

COMMENTS AND RECOMMENDATIONS

1. Policy Loans

Our examination noted that the Company has implemented automatic policy loans (APL) on policies that did not have proper authorization by the policyholder for the APL provision. It is recommended the Company review all automatic policy loans to verify authorization by the policyholder. If proper authorization has not been obtained, the Company should contact the policyholder for a proper endorsement for the automatic policy loan provision. In addition, controls should be established so that automatic policy loans will only be made on properly authorized policies and the default non-forfeiture provision will be used for those policies without such authorization.

2. Complaint log

The Company's complaint log showed it only included complaints resulting from various insurance department inquiries. According to Delores Dressel, V.P. Policy Services, consumer complaints are not logged unless they involve an insurance department. The NAIC Examiner's Handbook, Volume II, Market Conduct recommends a company record consumer direct complaints, as well as insurance department inquiries. Therefore, it is recommended the Company record direct written consumer complaints along with insurance department inquiries.

3. Bylaws

The Company Bylaws require that officers of the Company include an actuary and a medical director. The Company currently does not have those positions filled nor does it plan to fill those positions in the future. It is recommended the Company amend its Bylaws to eliminate those positions. (NOTE: On May 9, 1997, the Company filed amendments to its Bylaws that conform to the intent of this recommendation.)

4. Preferred stock dividends

The preferred stock dividends are subject to RCW 48.08.030(1) which states:

"No domestic stock insurer shall pay any cash dividend to stockholders except out of earned surplus. For the purpose of this section, "earned surplus" means that part of its available surplus funds which is derived from any realized net profits on its business, and does not include unrealized capital gains or reevaluation of assets."

The Company has paid dividends from funds other than earned surplus. Review of the correspondence between the Insurance Commissioner's Office and the Company indicated that the Company may pay dividends subject to an assessment of its financial ability to pay dividends.

The Company has offered that in conjunction with the payment of dividends, it will file monthly financial statements which include an RBC calculation and operating budget. Additionally, the Company will file an annual business plan which forecasts earnings for the next accounting period. These supplemental filings will facilitate the Insurance Commissioner's timely determination of the Company's continued financial ability to pay dividends.

5. Electronic Data Processing Systems (EDP)

The Company's EDP control environment was reviewed to determine areas in which the Company could enhance the system documentation. It is recommended the Company consider implementing the following enhancements:

a. A daily log is kept of each day's activity, and if any operational problems occur, it is recorded in this log and reviewed monthly. It is recommended that production data changes should also be documented and consolidated into a production data change log that clearly identifies the changes required. Also the log should be maintained with appropriate retention schedules and data changes should require approval by a supervisor or the systems administrator.

b. Currently all program changes are not maintained in a log, but instead are imbedded in the source code of each program changed. A backup of each program is maintained until the next change is made. The only way to determine the program changes for any given period is to review every program source code which is labor and time consuming. It is recommended the Company maintain a program request change log which includes a record of all requests and the changes made if needed in order to monitor at a glance, priorities, possible adverse trends, problems and backlogs.

HISTORY

The Company was incorporated on February 5, 1965 as a stock life insurance company under the laws of the state of Washington. The Company commenced business on May 3, 1965. Since incorporation, the Company has acquired or merged business from a number of insurance companies. The main acquisitions and date thereof are listed below:

Universal Guaranty Life Insurance Company	December 31, 1965
Tombstone Life Insurance Company	June 16, 1966
Trans National Life Insurance Company	November 1, 1966
Great Columbia Life Insurance Company	June 30, 1972
Sentinel Life Insurance Company	December 31, 1972
Los Angeles Life Insurance Company	August 22, 1973
Federal Old Line Life Insurance Company	January 1, 1976
Rainier National Life Insurance Company	October 1, 1977
Protective American Life Insurance Company	January 1, 1981
Universal Security Life Insurance Company	April 1, 1988

CAPITALIZATION

Common Stock

The Company has 1,600,000 authorized shares of two dollar par value, voting, common stock. As of December 31, 1995, 275,106 shares were outstanding. R. J. Martin Mortgage Company holds 62,675 shares, 22.8% of the Company's stock. C. Robert Ogden, President and Director of the Company and members of his family hold 80,264 shares, 29.9% of the Company. C. Robert Ogden is President and a Director of R. J. Martin Mortgage Company. Officers, directors, and employees of the Company own approximately 16% of the outstanding common shares and approximately 32% of the outstanding common shares is owned by public shareholders.

Preferred Stock

The Company authorized 1,000,000 shares of 10% Series A cumulative convertible preferred stock at one dollar par value, convertible at the option of the holder into common stock at any time after September 1, 1995 unless previously redeemed, at the initial rate of 1.4 shares common stock for each share of preferred. The preferred stock is redeemable in whole or in part at the option of the Company at any time on or after October 31, 1995. The preferred stock was initially redeemable at the price of eleven dollars per share and thereafter at prices declining ratably to ten dollars per share on or after October 31, 1998. Dividends are payable quarterly. As of December 31, 1995, 362,690 shares were issued and outstanding.

MANAGEMENT AND CONTROL

The bylaws vest the management and control of the affairs of the Company in a Board of Directors consisting of twelve members and a majority of whom shall be residents of Washington. Chester Robert Ogden, the Company's President, is the ultimate controlling person. Mr. Ogden and his immediate family own approximately 52% of the outstanding common stock of North Coast Life Insurance Company. Robert J. Ogden, Operations and Marketing Vice President, is the son of Chester Robert Ogden and is slated to take control of the Company when his father retires.

DIRECTORS AND OFFICERS

Directors and officers as of December 31, 1995:

Officers:

C. Robert Ogden, President
Robert E Blair, Sr. Vice President - Sales
Richard D. Hillier, Sr. Field Vice President - Sales
Gavin J. Cooley, Treasurer
Clifford D. Kutsch, Secretary and Director of Agency Administration and General Services
Robert J. Ogden, Vice President - Insurance Operations
Samual C. Luke, Regional Vice President - Sales
Delores J. Dressel, Vice President - Policy Service and Claims
Carol A. Maynard, Vice President and Senior Underwriter

North Coast Life Insurance Company

Directors:

Name	Principal Occupation
Chester Robert Ogden, Chairman	President for North Coast Life Insurance Co.
Ronald Drake Andrews	Owner operator of Andrews Orchards
Laurence George Egger	Retired Senior VP and Treasurer for NCL
Dennis Eric Kraft	President, G. T. Graphic Consultants
Thomas VanValkenburg Atwater	Director, Nott-Atwater Company
William Carlin Fix	President, William C. Fix Investments
Preston Emerson Macy	President, Spokane Quotation Bureau
Robert James Ogden	Vice President for North Coast Life Insurance Co.
Robert Eldon Blair	Vice President for North Coast Life Insurance Co.
Warren Cummings Heylman	Warren C. Heylman and Partners, Architects
John Marion Moore	Private Investor
William Robert Shapton	Business Consultant

COMMITTEES OF THE BOARD

Executive Committee:

Robert C. Blair
William C. Fix
Warren C. Heylman
C. Robert Ogden
Robert J. Ogden
W. Robert Shapton

Committee on Risks and Claims:

Gary Noland, Medical Director*
Carol A. Maynard
Delores J. Dressel
Robert J. Ogden
C. Robert Ogden (ex-officio)

*Non-voting and advisory only

Committee on Finance:

Thomas V. Atwater
William C. Fix
Preston E. Macy
Dennis E. Kraft
Robert J. Ogden
W. Robert Shapton

North Coast Life Insurance Company

Audit Committee:

Thomas V. Atwater	C. Robert Ogden (ex-officio)
W. Robert Shapton	Ronald D. Andrews
Dennis E. Kraft	Lawrence G. Egger
Warren C. Heylman	

AFFILIATED COMPANIES

R.J. Martin Mortgage Company

R.J. Martin Mortgage Company (RJM) owns 29% of North Coast Life's outstanding common stock and is controlled by the President of North Coast Life. The Company has a mortgage loan servicing agreement and a loan guarantee commitment with RJM. As of December 31, 1995 and 1994, R.J. Martin was servicing mortgage loans with an aggregate principal balance of $ 11,130,647 and $13,141,427, respectively. The Company paid RJM an annual loan servicing fee of 1.25% and 1.00% of the aggregate outstanding loan balance serviced plus miscellaneous expenses for a total of $172,036 and $193,330 in 1995 and 1994, respectively. The Company pays a premium on the servicing fee of approximately .5% to compensate RJM for acquisition and underwriting functions. As of December 31, 1995, R.J. Martin guaranteed the payment of mortgage loan principal balances totaling $2,105,177. The Company paid approximately $650,000 for the guarantees which they applied to the cost of acquiring the loans when purchased.

W. 1116 Riverside Partners

The Company interest in W. 1116 Riverside Partners was $323,500 until redeemed in 1994 by the Partnership. The Partnership was originally formed in 1989 to purchase the Company's home office building with a sale and leaseback agreement. The Company pays certain expenses toward the maintenance and servicing of the tenant rents which is reimbursed by the W. 1116 Riverside Partnership. The responsibilities and reimbursement methodologies between the Company and the Partnership are not expressly defined in an agreement. The Company is in the process of drafting a formal agreement that defines their contractual relationship.

W. 1124 Riverside Partners

The W. 1124 Riverside Partnership comprises the Company (73%), the Company's President and majority stockholder (6%), R.J. Martin Mortgage Company (15%) and Heylman Properties, a family partnership, whose member, Warren C. Heylman, is one of the Company's directors (6%). The W. 1124 Riverside Partnership was formed to purchase the building adjacent to the Company's home office building. The Company's capital contributions to the Partnership to date are:

1992	$	1,493,805
1993		146,687
1994		189,576
1995		40,745
1995		(400,000)
12-31-95	$	1,470,813

The Company changed from the cost method to the equity method of valuation in January 1995 for its investment in this majority owned real estate partnership, W. 1124 Riverside Partners. A cumulative charge to surplus should have been recorded in the amount of $50,000 for the change in accounting principle. This change in valuation was deemed immaterial, thus, no adjustment was made to the financial statement for 1995.

CORPORATE RECORDS

The Corporate records were reviewed for the period under examination. All Board meetings were conducted with a quorum present. All changes to the Articles of Incorporation and Bylaws were ratified by the Board members. The only significant change noted during our examination was to the Articles of Incorporation on August 26, 1992. The Board changed Article V to include all of the provisions necessary to effectuate the ability to issue one million shares of cumulative preferred stock.

CONFLICT OF INTEREST

The Company has a policy statement and questionnaire to disclose conflicts of interest which all directors, officers and key employees are required to sign. No conflicts were disclosed for the period under examination. Our review noted one director had not signed a conflict of interest questionnaire upon his appointment to the Board. The examiners recommend that the Company require new Board members to sign the questionnaire at the time of their appointment and annually thereafter to ensure timely disclosure of any conflicts.

ADMINISTRATIVE CONTRACTS

The following administrative agreements were in effect as of December 31, 1995:

Mortgage Loan Servicing Agreement

On April 1, 1992, the Company entered into a servicing agreement with its affiliate, R. J. Martin Mortgage Company. The initial agreement required the affiliate to collect mortgage payments; maintain all related escrow/impound accounts; remit principle and interest payments less the servicing fee; and upon direction of the Company institute foreclosure proceedings. In turn, the Company agreed to pay R. J. Martin 0.5% of the outstanding principal balance of its mortgage loan portfolio. In March 1994, and September 1995, the servicing fee was increased to 1.0% and 1.25%, respectively, to compensate RJM for additional acquisition and underwriting functions assumed.

Mortgage Loan Purchase Recourse and Guaranty Agreement

In January 1992, the Company executed a Mortgage Loan Guaranty Agreement with its affiliate, RJM. Under the terms of this agreement, the Company agreed to purchase only first lien mortgage loans from RJM. In return, RJM agreed to treat all the loans it sold to the Company as recourse loans.

The Company paid RJM approximately $650,000 in guarantee fees which secured approximately $2.1 million in mortgage loans. According to this agreement, if a guaranteed loan becomes more than 180 days delinquent, RJM shall replace the defaulted loan with an equivalent performing loan or pay the Company the outstanding balance plus unpaid interest on the defaulted loan. The agreement was amended in June 1993, to allow for defaulted loans to remain in the Company's name throughout the foreclosure proceedings. Upon completion of the foreclosure process, the Company will receive reimbursements from RJM for any economic loss suffered. The addendum indicates the economic loss shall be calculated " . . . in such a manner as to place North Coast in the equivalent financial position as would have resulted from following the terms of the original Mortgage Loan Purchase Recourse and Guaranty Agreement. . . . "

As of December 31, 1995, the Company had discontinued further participation in this agreement and plans to allow existing guarantees to expire in due course.

Payroll Servicing Agreement

In 1983, the Company contracted with Control Data Business Centers, Inc., to process its payroll. In 1992, the agreement was amended to include payroll tax filing services. The services performed include, but are not limited, to the following:

a. Checks with comprehensive earning stats;
b. Payroll register and accompanying transmittal;
c. Master control reports;
d. Quarterly tax listings and annual W-2 forms.

ACCOUNTS AND RECORDS

The Company's accounts and records are maintained on a GAAP modified accrual basis of accounting and are converted to Statutory Accounting Practices (SAP) basis for annual statement reporting. The Company is audited annually by the Certified Public Accountants, Coopers and Lybrand, LLP. Coopers and Lybrand, LLP. issued an Unqualified Opinion for the years ended 1994 and 1995.

ELECTRONIC DATA PROCESSING SYSTEMS (EDP)

Several EDP control deficiencies were detected in Coopers & Lybrand's 1994 audit of the Company. The Company addressed and corrected all areas it could, given a benefit/cost analysis. Our review consisted of requiring the Company to respond to the control deficiencies noted by the CPA report, an additional questionnaire for the current status and an interview with Dave Thrams, Asst. VP, Computer Services & Operations. After review of the current information systems environment and controls, it was determined that the current environment was adequate to place reliance on systems generated data and reports. Two enhancements are recommended and are included under the "Comments and Recommendations" section of this report.

FIDELITY BOND AND OTHER INSURANCE

The Company has contracted with the Fidelity and Deposit Company of Maryland for a financial institution bond. The Bond covers forgery or alteration limited to $750,000 with a deductible of $25,000.

The Company is insured through Aetna Casualty and Surety Company for commercial general liability and property at the following limits:

	Limitations
General aggregate	$2,000,000
Products completed/operations	2,000,000
Personal and advertising injury	1,000,000
Each occurrence	1,000,000

Fire damage	50,000
Medical expenses	5,000
Blanket property and Building ($500 deductible)	8,228,514

Director and officer liability coverage is essential in protecting the assets of the Company and it is recommended the Company pursue and obtain coverage. All other coverages appear to adequately protect the Company.

EMPLOYEE WELFARE AND PENSION PLANS

The Company offers a noncontributory defined benefit retirement plan to all of its employees. The benefits are based on years of service and compensation. The Company contributes to the plan the minimum funding requirements plus additional amounts its actuarial consultants deem necessary. Standard Insurance Company performs an annual review of the pension plan pursuant to Financial Accounting Standards Board Statement 87 (FAS 87). The actual 1995 contribution to net periodic pension cost amounted to $37,483. The calculated net periodic pension cost per Standard Insurance Company for the year ended 1995 was as follows:

A. Service cost	
Basic service cost	$27,690
Estimated expenses	6,000
	$33,690
B. Interest cost	
Interest on projected benefit obligation	64,493
Interest on basic service cost	1,938
Interest on benefits paid	(844)
	65,587
C. Actual return on assets	222,114
D. Gain (loss) on asset return	
Actual return on assets	222,114
Expected return on assets	(71,822)
	150,292
E. Amortization of	
Net transition obligation	4,858
Unrecognized prior service costs	0
Unrecognized net gain (loss)	$(1,753)
	3,105
Net periodic pension cost	
=(A)+(B)-(C)+(D)+(E)	$30,560

The Company plans to terminate the pension plan in 1997. The termination plan calls for redistributing plan assets to participants and the sponsoring of a 401(k) plan. The Company would then make contributions to a 401(k)plan equal to 100% of the first $500 the employee contributes and 50% of the next $500.

TERRITORY AND PLAN OF OPERATION

The Company is incorporated and licensed as a stock life insurance company in the state of Washington. The principal place of business is Spokane, Washington. The Company is currently writing life and annuity products in the states of Arizona, Hawaii, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Texas, Utah, Washington and Wyoming.

Life coverage written by the Company includes term, whole life and various types of annuity products. The Company expects to expand its sales of annuity business.

MARKET CONDUCT

Advertising

The examiners reviewed the advertising file for compliance with RCW 48.30. This Chapter requires proper disclosure of provisions, identification of the plan, identity of the insurer. In addition, it disallows disparaging comparisons and false statements. No material compliance issues were noted in the review.

Agent activity

A limited review of the Company's compliance to RCW 48.17.060 and RCW 48.17.160 concerning agent licensing and appointments, respectively, was performed as part of our 1995 statutory financial examination. Policies were selectively sampled and reviewed to verify that all were sold by licensed and appointed agents of the Company. In addition, a selected sample of out of state policies were reviewed to verify proper appointments to the Company. No exceptions were noted.

Policy forms

A sample of policy forms in use during the period under examination were reviewed for proper filing and approval per RCW 48.18.100. No exceptions were noted.

Complaints

A limited market conduct review of policyholder complaints against the Company was performed in conjunction with our examination. The Company modified its complaint log in 1991 so that it would capture the data specified in the 1977 Model Regulation for Complaint Records pursuant to the NAIC's Unfair Trade Practices Act. The model regulation provides standardized classifications for complaints by function, reason, and line of business.

Over the past five years, the Company logged sixteen insurance department complaints. The complaints primarily dealt with marketing, sales practices and policyholder services. The Company responded to these inquiries within the fifteen-day period required by WAC 284-30-360(2). No unusual trends were discovered while reviewing the Company's complaints. Our examination did note that the Company does not maintain a log of complaints that are not reported with insurance regulators. (See Comments and Recommendations, Note 2)

Treatment of policyholders

A number of open and closed claim files were reviewed for the purpose of determining the Company's general treatment of policyholders. The review indicated that the Company was settling its claims promptly and in accordance with the terms of the policy contracts.

GROWTH OF THE COMPANY

The following schedules reflect the growth of the Company by year beginning in 1991. The amounts shown were compiled from the Company's annual statements:

Schedule 1

Year	Admitted Assets	Liabilities	Capital & Surplus
1995	$71,573,431	$67,536,519	$ 4,036,912
1994	68,102,036	65,252,990	2,840,048
1993	66,468,645	63,384,529	3,084,116
1992	60,502,576	58,214,461	2,288,115
1991	50,500,740	53,099,703	1,994,584

Schedule 2

Year	Net Premium Written	Net Investment Income	Policy Benefits	General Expenses	Net Income
1995	$4,900,563	$5,416,399	$4,545,781	$2,873,920	$2,040,551
1994	5,146,957	5,642,394	4,736,386	2,734,740	897,526
1993	4,647,763	5,239,590	3,504,590	2,703,570	81,528
1992	5,486,055	4,881,568	3,623,055	2,671,305	(84,780)
1991	5,202,372	5,498,416	3,452,195	2,607,811	536,858

REINSURANCE

As of December 31, 1995, the Company had fourteen active reinsurance treaties with nine separate reinsurers. Three of these treaties pertained to accident and health business and the remaining nine treaties pertained to various term and whole life products. The following is a list of the treaties in force as of December 31, 1995:

Company Name	Type*	In force	Reserve Credit	Ceded Premiums	A.M. Best
Life:					
Business Mens Assurance	YRT	$ 251,581	$ 2,906	$ 6,090	A
Crown Life Insurance	YRT	15,927,722	45,700	44,196	A-
Lincoln National Life Ins.	YRT	62,902,668	186,100	234,554	A+
Munich American Life Ins.	YRT	50,525	187	371	A
Phoenix Mutual	YRT	17,793,379	32,566	42,141	A
Swiss Reinsurance Life Ins. Co. of America	YRT	63,856,725	129,446	135,359	A
Cologne Life Reinsurance	COI	28,352,718	3,241,290	82,699	A+
Harbourton Reassurance**	COI	-0-	-0-	1,740,948	
Lincoln National Life Ins.	COI	756,329	2,637	5,400	A+
Swiss Reinsurance Life Ins. Co. of America	COI	890,509	121,093	7,778	A
Cologne Life Reinsurance	MOI	181,667,413	-0-	529,887	A+
Swiss Reinsurance Life Ins. Co. of America	MOI	439,991	1,684	15,636	A
Total		$372,889,560	$3,763,609	$2,845,059	

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	Type*	Unearned Premiums	Reserve Credit	Ceded Premiums	A.M. Best
Accident and Health:					
Lincoln National Life Ins.	COI	$389	$ 1,491	$ 572	A+
Lone Star Life Ins.	COI	414	2,187	861	B
West Coast Life Ins.	COI	75	20,051	384	A+
Total		$878	$23,729	$1,817	

* YRT = Yearly Renewable Term
COI = Co-insurance
MOI = Modified Co-insurance

**The Harbourton Reinsurance treaty was transferred to Cologne on October 1, 1995.

All of these treaties have been placed with reinsurers who are authorized to transact business in Washington. The 1995 A.M. Best Report showed all of the reinsurers, except Lone Star Life Insurance Company, to be rated at an A- or above which indicates a superior or excellent rating. Lone Star Life Insurance Company rating indicates "adequate." In addition, all treaties contained the mandatory insolvency and cancellation clauses required by RCW 48.12.160 and WAC 284-13-560.

In 1995, the Company took a $3,763,609 reserve credit for surplus relief provided by its reinsurance treaties. Approximately 86% of the total reserve credit came from Cologne Life Reinsurance Company. Under the terms of the treaty, the surplus relief (reserve credit) must be recaptured over a seven year period ending on December 31, 2001. The Company has begun renegotiating the terms of the Cologne reinsurance treaty. Specifically, the Company wishes to extend the grading down period from seven to twelve years. Under the current contract provisions, the Company's scheduled grading down would materially impact the Company's surplus as shown in the following schedule:

Year	Scheduled Grading	Reserve Credit Balance	Pay down Required
1996	79%	$ 3,013,437	$(227,853)
1997	69	2,775,565	(237,872)
1998	59	2,496,105	(279,460)
1999	41	1,819,934	(676,171)
2000	21	975,889	(844,046)
2001	00%	$ -0-	$(975,889)

The Company asserts that the pay downs associated with the last three years of this treaty would put too much stress on its surplus without adequate earnings to compensate. The Company's President indicated he would seek approval from the Washington State Insurance Commissioner's Office before executing any extension of this treaty.

SUBSEQUENT EVENTS

The Company has continued discussions of a renegatiation of its reinsurance treaty with Cologne Life Reinsurance Company to extend its paydown period to the year 2004. The additional repayment time will relieve the current strain on operating results significantly.

NORTH COAST LIFE INSURANCE COMPANY
Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 1995

Assets	**Balance Per Company**	**Ref**	**Adjustments**	**Balance Per Exam**
Bonds	$32,621,510			$32,621,510
Preferred stock	6,726,262			6,726,262
Mortgage loans on real estate	14,027,481			14,027,481
Properties acquired in satisfaction of debt	1,285,363			1,285,363
Policy loans	7,879,656			7,879,656
Cash on hand and on deposit	538,487			538,487
Other invested assets	4,678,353			4,678,353
Reinsurance ceded:				
Commissions and expense allowances due	649			649
Experience rating and other refunds due	(6,160)			(6,160)
Electronic data processing equipment	222,761			222,761
Life insurance premiums and annuity considerations deferred and uncollected	2,123,870			2,123,870
Investment income due and accrued	1,223,856			1,223,856
Receivable from affiliates	5,396			5,396
Aggregate write-ins for other than invested assets	245,947			245,947
Total assets	**71,573,431**		**0**	**71,573,431**
Liabilities, surplus and other funds				
Aggregate reserve for life policies and contracts	61,392,245			61,392,245
Aggregate reserve for accident and health policies	36,312			36,312
Supplementary contracts without life contingencies	37,373			37,373
Policy and contract claims: life	150,301			150,301
Policyholders' dividend and coupon accumulations	368,917			368,917
Provision for policyholders' dividends and coupons payable 1996	7,000			7,000
Premiums and annuity considerations received in advance	54,024			54,024
Liability for policyholder premiums	1,500,989			1,500,989
Interest maintenance reserve	1,919,128			1,919,128
General expenses due or accrued	75,048			75,048
Taxes, licenses and fees due or accrued	58,500			58,500
Unearned investment income	214,106			214,106
Amounts withheld or retained by company as agent or trustee	1,065			1,065
Amounts held for agents' account	53,882			53,882
Remittances and items not allocated	37,858			37,858
Borrowed money	500,000			500,000
Dividends to stockholders declared and unpaid	90,445			90,445
Asset valuation reserve	1,030,656			1,030,656
Aggregate write-ins for liabilities	8,670			8,670
Total liabilities	**67,536,519**		**0**	**67,536,519**
Common capital stock	550,212			550,212
Preferred capital stock	362,690			362,690
Gross paid in and contributed surplus	5,019,475			5,019,475
unassigned funds	(1,895,465)			(1,895,465)
Total surplus and other funds	**4,036,912**			**4,036,912**
Total liabilities, surplus and other funds	**$71,573,431**		**$0**	**$71,573,431**

NORTH COAST LIFE INSURANCE COMPANY
Summary of Operations
For the Year Ended 1995

	Balance Per Company	Ref	Adjustments	Balance Per Exam
Premiums and annuity considerations	$4,900,563			$4,900,563
Considerations for supplementary contracts with life contingencies	140,552			140,552
Considerations for supplementary contracts without life contingencies	3,283			3,283
Coupons left to accumulate at interest	317			317
Net investment income	5,416,399			5,416,399
Amortization of interest maintenance reserve	184,547			184,547
Commissions and expense allowances on reinsurance ceded	221,091			221,091
Reserve adjustments on reinsurance ceded	1,516,078			1,516,078
Aggregate write-ins for miscellaneous income	1,671,711			1,671,711
Totals	**14,054,541**		**0**	**14,054,541**
Death benefits	653,498			653,498
Matured endowments	76,366			76,366
Annuity benefits	2,944,709			2,944,709
Disability benefits and benefits under accident and health policies	7,573			7,573
Coupons, guaranteed annual pure endowments and similar benefits	317			317
Surrender benefits and other fund withdrawals	861,636			861,636
Interest on policy or contract funds	83,683			83,683
Payments on supplementary contracts with life contingencies	33,965			33,965
Payments on supplementary contracts without life contingencies	(40,675)			(40,675)
Accumulated coupon payments	36,805			36,805
Increase in reserves for life and accident and health policies and contracts	2,020,375			2,020,375
Increase in reserves for supplementary contracts without life contingencies	(25,448)			(25,448)
Totals	**6,652,804**		**0**	**6,652,804**
Commissions on premiums and annuity considerations	998,483			998,483
General insurance expenses	2,485,623			2,485,623
Insurance taxes, licenses and fees, excluding federal income tax	349,176			349,176
Increase in loading on and cost of collection on deferred and uncollected premiu	(54,958)			(54,958)
Net transfers to or (from) separate accounts	1,516,641			1,516,641
Totals	**5,294,965**		**0**	**5,294,965**
Net gain from operations before dividends to policyholders and FIT	2,106,772			2,106,772
Dividends to policyholders	1,682			1,682
Federal income taxes	64,538			64,538
Net realized capital gains (losses) less capital gains tax and transferred to the IM	(687,121)			(687,121)
Net income	**1,353,431**		**0**	**1,353,431**
Capital and surplus account				
Capital and surplus, December 31, 1994	**2,849,047**			**2,849,047**
Net income	1,353,431			1,353,431
Change in unrealized capital gains or (losses)	227,180			227,180
Change in non-admitted assets and related lines	60,589			60,589
Change in asset valuation reserve	66,092			66,092
Change in surplus as a result of reinsurance	(158,710)			(158,710)
Dividends to stockholders	(360,711)			(360,711)
Net change in capital and surplus for the year	**1,187,871**			**1,187,871**
Capital and surplus, December 31, 1995	**$4,036,918**		**$0**	**$4,036,918**

NORTH COAST LIFE INSURANCE COMPANY
Comparative Statement of Assets, Liabilities, Surplus and Other Funds
For December 31,

Assets	**1995**	**1994**
Bonds	$32,621,510	$34,695,550
Preferred stock	6,726,262	4,442,930
Mortgage loans on real estate	14,027,481	15,867,395
Properties acquired in satisfaction of debt	1,285,363	946,021
Policy loans	7,879,656	6,837,510
Cash on hand and on deposit	538,487	52,054
Other invested assets	4,678,353	1,430,068
Reinsurance ceded:		
Commissions and expense allowances due	649	1,538
Experience rating and other refunds due	(6,160)	(16,785)
Electronic data processing equipment	222,761	206,640
Life insurance premiums and annuity considerations deferred and uncollect	2,123,870	2,142,413
Investment income due and accrued	1,223,856	1,199,577
Receivable from affiliates	5,396	100,505
Aggregate write-ins for other than invested assets	245,947	196,621
Total assets	**71,573,431**	**68,102,037**
Liabilities, surplus and other funds		
Aggregate reserve for life policies and contracts	61,392,245	59,219,085
Aggregate reserve for accident and health policies	36,312	30,387
Supplementary contracts without life contingencies	37,373	37,523
Policy and contract claims: life	150,301	123,526
Policyholders' dividend and coupon accumulations	368,917	394,215
Provision for policyholders' dividends and coupons payable 1996	7,000	12,500
Premiums and annuity considerations received in advance	54,024	60,104
Liability for policyholder premiums	1,500,989	1,707,877
Interest maintenance reserve	1,919,128	2,061,489
General expenses due or accrued	75,048	45,476
Taxes, licenses and fees due or accrued	58,500	48,500
Unearned investment income	214,106	174,709
Amounts withheld or retained by company as agent or trustee	1,065	1,270
Amounts held for agents' account	53,882	65,859
Remittances and items not allocated	37,858	69,290
Borrowed money	500,000	
Dividends to stockholders declared and unpaid	90,445	90,673
Asset valuation reserve	1,030,656	1,096,748
Aggregate write-ins for liabilities	8,670	13,759
Total liabilities	**67,536,519**	**65,252,990**
Common capital stock	550,212	550,212
Preferred capital stock	362,690	362,690
Gross paid in and contributed surplus	5,019,475	5,019,475
unassigned funds	(1,895,465)	(3,083,330)
Total surplus and other funds	**4,036,912**	**2,849,047**
Total liabilities, surplus and other funds	**$71,573,431**	**$68,102,037**

NORTH COAST LIFE INSURANCE COMPANY
Comparative Summary of Operations
For the Years Ended December 31,

	1995	1994
Premiums and annuity considerations	$4,900,563	$5,146,957
Considerations for supplementary contracts with life contingencies	140,552	30,562
Considerations for supplementary contracts without life contingencies	3,283	3,480
Coupons left to accumulate at interest	317	317
Net investment income	5,416,399	5,642,394
Amortization of interest maintenance reserve	184,547	172,822
Commissions and expense allowances on reinsurance ceded	221,091	252,454
Reserve adjustments on reinsurance ceded	1,516,078	1,527,814
Aggregate write-ins for miscellaneous income	1,671,711	(15,447)
Totals	**14,054,541**	**12,761,353**
Death benefits	653,498	650,518
Matured endowments	76,366	55,639
Annuity benefits	2,944,709	3,035,907
Disability benefits and benefits under accident and health policies	7,573	6,867
Coupons, guaranteed annual pure endowments and similar benefits	317	317
Surrender benefits and other fund withdrawals	861,636	979,143
Interest on policy or contract funds	83,683	77,526
Payments on supplementary contracts with life contingencies	33,965	25,987
Payments on supplementary contracts without life contingencies	(40,675)	9,906
Accumulated coupon payments	36,805	10,682
Increase in reserves for life and accident and health policies and contracts	2,020,375	1,875,172
Increase in reserves for supplementary contracts without life contingencies	(25,448)	1,521
Totals	**6,652,804**	**6,729,185**
Commissions on premiums and annuity considerations	998,483	1,061,793
General insurance expenses	2,485,623	2,364,976
Insurance taxes, licenses and fees, excluding federal income tax	349,176	285,489
Increase in loading on and cost of collection on deferred and uncollected premiu	(54,958)	24,025
Net transfers to or (from) separate accounts	1,516,641	1,387,363
Totals	**5,294,965**	**5,123,646**
Net gain from operations before dividends to policyholders and FIT	2,106,772	908,522
Dividends to policyholders	1,682	7,995
Federal income taxes	64,538	3,000
Net realized capital gains (losses) less capital gains tax and transferred to the IM	(687,121)	(35,558)
Net income	**1,353,431**	**861,969**
Capital and surplus account		
Capital and surplus, December 31, 1994	**2,849,047**	**3,084,116**
Net income	1,353,431	861,969
Change in unrealized capital gains or (losses)	227,180	(527,611)
Change in non-admitted assets and related lines	60,589	88,471
Change in asset valuation reserve	66,092	104,161
Change in surplus as a result of reinsurance	(158,710)	(66,460)
Dividends to stockholders	(360,711)	(361,717)
Pay off of NARe financial reinsurance treaty		(333,882)
Net change in capital and surplus for the year	**1,187,871**	**(235,069)**
Capital and surplus, December 31, 1995	**$4,036,918**	**$2,849,047**

NORTH COAST LIFE INSURANCE COMPANY
Five Year Reconciliation of Surplus
For the Years Ended December 31,

	1995	1994	1993(a)	1992	1991
Capital and surplus, December 31, previous	**$2,849,047**	**$3,084,116**	**$2,288,114**	**$1,994,582**	**$1,644,502**
Net income	1,353,431	861,969	(1,022,225)	206,145	203,032
Change in unrealized capital gains or (losses)	227,180	(527,611)	1,441,430	(330,962)	(370,332)
Change in non-admitted assets and related lines	60,589	88,471	(161,264)	34,805	(62,668)
Change in asset valuation reserve	66,092	104,161	(475,951)	(299,958)	580,048
Capital changes: Paid in			207,544	155,146	
Surplus changes: Paid in			1,660,352	903,356	
Change in surplus as a result of reinsurance	(158,710)	(66,460)			
Dividends to stockholders	(360,711)	(361,717)	(311,227)		
Pay down of financial reinsurance		(333,882)	(411,159)		
Stock offering deferred costs			(131,498)		
Net change in capital and surplus for the yea	**1,187,871**	**(235,069)**	**796,002**	**668,532**	**350,080**
Capital and surplus, December 31, current	**$4,036,918**	**$2,849,047**	**$3,084,116**	**$2,663,114**	**$1,994,582**

(a) = $375,000 difference between ending 1992 balance and beginning 1993 balance is due to an amendment in 1993 for a voluntary contribution to the mortgage component of the Asset Valuation Reserve for developing problems with the Alabama loan portfolio.

NOTE: No adjustments or reclassifications were required for the examination financial statements.

North Coast Life Insurance Company

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A) Basis of presentation
The financial statements included herein have been prepared in accordance with accounting practices prescribed or permitted by the Office of Insurance Commissioner of the State of Washington in conjunction with the NAIC financial reporting guidelines.

B) Investments
Investments are stated on the basis of rules promulgated by the National Association of Insurance Commissioners. Bonds and mortgage loans are at amortized value and stocks are at market value.

C) Property, Plant and Equipment
Buildings, land and computer equipment are recorded at cost. Depreciation is computed on a straight line basis over the estimated life depending on the type of asset and statutory regulations.

D) Underwriting expense
Underwriting costs such as commissions and general insurance expense are written off in the year incurred and not deferred and amortized against future earnings.

E) Non-admitted assets
Certain assets designated as "non-admitted," consisting of certain receivables more than 90 days past due, furnishings, equipment and all electronic data processing equipment not meeting the criteria set forth in RCW 48.12.10, have been excluded from the balance sheet. The changes in such assets are reflected as adjustments to net worth. The total non-admitted at December 31, 1995 amounted to $713,003.

F) Income Taxes
Taxable income differs from statutory income due to capitalization of policy acquisition expenses, discounting of policy reserves and utilization of net operating loss and tax credit carry forwards.

G) Reinsurance
Accruals and reserves for life policies and contracts and premium revenues and policy benefits are reported net of reinsurance in the financial statements.

H) Investment in the W. 1124 Riverside Partners was accounted for using the cost method prior to January 1, 1995, when the Company changed to the equity method. The change in valuation methodologies created a $50,000 charge to surplus which was not booked due to immateriality.

2. Bonds

Amortization of bond discount and premium is accrued using the level interest yield method over the remaining term of the bond. The statement value, unrealized gains and losses, estimated market values and acquisition cost of securities held for investment as of December 31, 1995 were:

	Statement Value	Unrealized Gains (losses)	Market Value	Acquisition Cost
Government	$ 296,922	$ 42,078	$ 339,000	$ 295,875
Special revenue and special assessment	15,367,480	117,528	15,485,009	15,371,670
Public utilities	4,239,849	(68,078)	4,171,770	4,217,434
Industrial and miscellaneous	12,717,260	487,435	13,204,694	12,724,889
Total	$32,621,511	$578,963	$33,200,473	$32,609,868

The maturity distribution of all bonds owned as of December 31, 1995 was:

	Amortized value	Percent of Portfolio
Due in one year or less	$ 20,999	0.1 %
Due over one year through five years	96,757	0.3
Due over five years through ten years	2,303,364	7.1
Due over ten years through twenty years	9,352,058	28.7
Over twenty years	20,848,335	63.9
Total	$32,621,510	100.0 %

The quality of bonds has steadily increased since our last examination and the Company plans to maintain the quality in order to maintain a favorable Risk-based Capital (RBC) ratio and minimize allocations into the Asset Valuation Reserve (AVR). The Security Valuations Office classification distribution as of December 31, 1995 was:

	Amortized value	Percent of Portfolio
Class 1	$11,513,065	35.3 %
Class 2	19,114,102	58.6
Class 3	1,994,343	6.1
Total	$32,621,510	100.0 %

3. Mortgage loans

The Company has approximately 20 percent of its total assets invested in mortgage loans of which all are in first lien residential properties. Mortgage loans are carried at their remaining unpaid principal balance, net of unamortized discounts and premiums. Discounts and premiums are accreted using the straight-line method which approximates the level interest method over the estimated remaining term of the loan, assuming prepayments. If a mortgage loan becomes more than eighteen months delinquent, any accrued interest thereon must be non-admitted per RCW 48.12.010 (2) (e). The Company has chosen to non-admit delinquent interest after three months as a more conservative approach. As of December 31, 1995, approximately $63,000 of mortgage loan interest was non-admitted.

As of December 31, 1995 and 1994, 4.5% and 7.6%, respectively, of the total carrying value of mortgage loans held by the Company were more than 90 days delinquent. The year-end and historical delinquency rates, as well as specifically identified problem loans, have been considered in determining the AVR. The AVR is based on estimates and ultimate losses may vary from current estimates.

4. Other invested assets

Other invested assets as of December 31, 1995 consisted of the following investments:

	Statement Value
W. 1124 Riverside Partners	$1,441,533
Farmers Insurance surplus notes	1,138,724
National Life Insurance of Vermont surplus notes	998,404
Nationwide Mutual Insurance surplus notes	1,099,691
Total	$4,678,352

5. Aggregate write-ins for other than invested assets

Aggregate write-ins for other than invested assets as of December 31, 1995 consisted of:

	Statement value
Guaranty association assessments	$ 203,232
Receivable from W. 1116 Riverside Partners	42,012
Other	703
Total	$ 245,947

6. Aggregate reserve for life, annuity, accident and health policies and contracts

Life, annuity, accident and health contracts had the following reserve components for the year ended December 31, 1995:

	Statement value
Life insurance	$18,956,339
Modified coinsurance reserves held	20,918,675
Annuities	21,089,519
Disability insurance	427,712
Total life policies and contracts	61,392,245
Accident and health policies	36,312
Total life, annuity, accident and health	$61,428,557

7. Lease commitments

As of December 31, 1995, the Company was a party to two lease agreements. North Coast Life has a lease agreement with the West 1116 Riverside Partners to procure office space for its Home Office. This lease commenced on December 22, 1989, and continues through December 31, 1999. The Company has the option of renewing the lease for two additional ten-year terms. Under the terms of the lease, the Company's monthly rent remained fixed for the first five years at $24,167 per month. Upon completion of the fifth year of the lease, the landlord had the right to raise the Company's rent. In a memo, dated January 1995, the landlord determined rent was not undervalued; thus, the Company's rent was not increased.

However, the memo indicated the Company's rent would be periodically reviewed over the next five years, and adjusted accordingly. The following table provides a breakdown of the remaining rent owed under the terms of the lease assuming rent remains at $24,167:

Year	Amount
1996	$ 290,004
1997	290,004
1998	290,004
1999	290,004
Total	$1,160,016

The second lease is with Barton Oldsmobile Company. In November 1994, the Company leased a 1995 Oldsmobile Aurora for use by the Company's President. The terms of the lease are for 36 months with a monthly payment of $598.45. At the commencement of the lease, the Company was required to pay $1,939.63 which included the first months lease payment; a $600 refundable deposit; and $741.18 in licensing fees and taxes. The following table provides a breakdown of the remaining payments owed under the terms of the lease assuming there will be no charges for excess mileage and wear at the end of the lease:

Year	Amount
1996	$ 7,181
1997	5,985
Total	$ 13,166

7. Aggregate write-ins for liabilities

Aggregate write-ins for liabilities for the year ended December 31, 1995:

	Statement value
Accrued interest on modco reinsurance reserves	$ 1,670
Reserve for non deduction of liens on death claims	7,000
Total	$ 8,670

8. Net investment income

The following is a summary of net investment income earned for the year ended December 31, 1995:

	Statement value
Bonds	$2,936,145
Stocks	458,387
Mortgage loans	1,755,986
Real estate	98,072
Policy loans	483,632
Cash on hand and on deposit	10,590
Other invested assets	172,211
Interest on agents balances	6,015
Equity in net earnings of Plaza Partners	(29,280)
Miscellaneous	(2,310)
Gross investment income	5,889,448
Investment expenses	(417,868)
Investment taxes, licenses and fees	(1,350)
Depreciation on real estate and other	(53,831)
Net investment income	$5,416,388

9. Aggregate write-ins for miscellaneous income

Aggregate write-ins for miscellaneous income for the year ended December 31, 1995:

	Statement value
Accrued reinsurance reserve adjustment	$ 10,625
* Litigation settlement	1,661,086
Total	$1,671,711

* Commencing in 1993 and 1994, the Company was Plaintiff in state and federal suits involving a portfolio of purported mortgage loans in Alabama purchased by the Company in October 1992 for approximately $1.7 million. The Company agreed to settle both the state and federal cases in September and October 1995, respectively.

The total settlement recovery for the two cases totalled $2,360,000, from which proceeds to the Company, net of legal fees, amounted to $1,661,086. Pursuant to the terms of the settlement, the Company also retained ownership of the mortgage loans which were the subject of the complaint.

North Coast Life Insurance Company

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of the Company during the course of this examination.

In addition, acknowledgment is made of the participation in the work and preparation to this report by Michael V. Jordan, CPA, CFE, Examiner-in-Charge, Joseph I. Manning, CPA, CFE; Roy C. Olson, FSA, MAAA; Leman McLean, CPA, CFE, FLMI; Kendy Ovbiebo and Kevin Thomas; all from the Washington Insurance Commissioner's Office.

North Coast Life Insurance Company

AFFIDAVIT OF EXAMINER IN CHARGE

STATE OF WASHINGTON)
) ss
COUNTY OF KING)

Michael V. Jordan, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.

He attests that the examination of North Coast Life Insurance Company was performed in a manner consistent with the standards and procedures required or prescribed by the Washington Office of the Insurance Commissioner and the National Association of Insurance Commissioners (NAIC).

Michael V. Jordan, CPA, CFE
Examiner-in-charge
State of Washington

Subscribed and sworn to before me this ___ day of _________, 1997.

Notary Public in and for the
State of Washington, residing
at Seattle.